

LESSONS FROM THE BRITISH EXPERIENCE

by Arthur Shenfield

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There is a family in England which claims to be descended from a collateral branch of the Hapsburgs. But the claim is of uncertain validity, and so the family is popularly known as the Perhapsburgs. I recount this circumstance because until fairly recently the British people enjoyed and understood the legacy of a political and economic system of a long, legitimate, and intellectually and morally noble lineage. But now the British people and everything around them are encircled by a great question mark, a great perhaps; and the political and economic system that they have allowed themselves to become enmeshed in is of extremely doubtful legitimacy. Of course this is painfully familiar to most of us, and I am sure to most of you. Hence if I rehearse the more obvious causes of this calamitous change in British fortunes, I shall do so not because I think that you are not aware of them. I know that you are. I shall do so only to take note of them and their possible relevance to the American situation, so that I may then proceed to elements in our situation which I believe are not so easily perceived.

Of the obvious, and obviously injurious, influences which have changed the British situation in the past generation or two, there are in my judgment five principal ones, all resulting in policies of a fatefully destructive character. All are familiar to you. Some are to be found in America in an even more virulent form than in Britain itself. Some, fortunately for you, are not.

First, the tremendous waste caused by the nationalization of great industries. The British case has been one of immense and growing losses by those industries which were nationalized under the illusion

that control of them would enable the whole economy to be planned and thus raised to unprecedented heights of prosperity, or under the sister illusion that control of them would give the people, not capitalists, control of their economic destiny. Loss, waste, inefficiency, and above all the absence of control, are the story of what nationalization has really brought to the British people. For the most part you have not had this experience. Not that there are not some elements of the American economy which are nationalized, and not that they are not wasteful; consider, for example, the United States Post Office. With us the Post Office not only carries letters and parcels; it also runs the telephone service. Consider what kind of telephone service you would have, and what it would cost you, if it were run by your Post Office.

However, the really important point about nationalization is not that it produces waste on an immense scale, but that it is fraudulent in its essential nature. Bear this in mind if it ever happens that the voices now to be heard urging the nationalization of your oil industry, or of parts of it, command a big response from the voters. The fact is that so-called public ownership is private ownership in its most vicious form; or, perhaps more accurately, in its only vicious form. The public has nothing properly described either as ownership or as control over, say, the railways or the coal mining industry in Britain, nor would they in comparable cases in America. Once nationalized these industries become the private property to all intents and purposes of the bureaucrats who run them and of the labor unions which run the workers in them—perhaps more the

im·primis (im·pri' mīs) adv. In the first place. Middle English, from Latin *in primis*, among the first (things)...

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latter than the former. The only functions of the public are to pay the take-it-or-leave-it prices imposed upon them and to pick up the tab when the losses have to be met. The power of the concept of nationalization arises from the captivating falsehood that public ownership means public ownership, when in fact it means private ownership of this vicious form. This semantic confusion is perhaps well illustrated by the story of a youthful Chinese Emperor who was walking in the countryside with his tutor, when they passed some sheep in a field. The tutor, seeking to test the knowledge of his charge, said, "What are those animals?" and the Emperor said, "They are pigs." His tutor said, "The Son of Heaven is of course entirely right. However I have to point out that this particular species of pig is normally called a sheep."

applies to the members of even the most privileged unions because they also carry a ball and chain which represents the cost to them of the power of other unions; and in anything beyond a short run the net cost is great even to them. Here too semantics sow confusion; for hardly anything is more powerful than the well-judged misuse of language. Millions of people believe in labor unionism because they think that it is merely a form of marketing agency for people's labor. What's wrong with that? Or that it represents the inalienable right of free association. What's wrong with that? Or that it stands for the defense of the weak bargainer, the worker, against the strong bargainer, the employer. What's wrong with that? The truth is in each case different, as you will see brilliantly expounded in the writings of



Now if President Carter, who possibly is at the young Emperor's stage in economic education, were to become enamored of public ownership of any part of the oil industry, it would be well for his mentors to say, "The anointed of the people is of course entirely right. However it is necessary to point out that this species of public ownership is properly called private ownership." Here endeth the first British lesson.

Secondly, labor union power. I need not dwell on this at length. You are familiar with it, since you have the same phenomenon here, though not yet in as virulent a form as we have. More than anything else the power of the labor unions is destroying the British economic system, and perhaps also, which is worse, the political system of constitutional, Parliamentary, and liberal democracy. You are not as unlucky as we are because your unions are not as deeply infected with mindless opposition to wealth—creating free enterprise. But the important point about the labor union is that the people should realize that every man, woman and child in this country, as in Britain, carries a ball and chain on his or her feet which represents the cost of union power. That

Professor W. H. Hutt. Labor unionism is a curse to Western civilization, which has thus nurtured a viper in its bosom for a century and more, mainly under the influence of these erroneous beliefs which I have mentioned. The essential truth is that the labor union is a power structure which first climbs on the worker's back, and from that favored position climbs on the back of the whole society. It serves the interest not of the workers but of its own power holders. Our ball and chain is bigger than your ball and chain, but your ball and chain can grow. Indeed there is a feature of this past Presidential election which suggests that it may have already grown, or be about to grow, politically in a most ominous manner. I shall return to this point shortly.

Thirdly, state welfare. There is a tremendous welfare mess in Britain. Yet in my judgment the welfare mess in America is worse. On this you do not have to learn a lesson from the British experience, except in relation to certain elements in it. Rather it is we who have to learn a lesson from your experience. However, though both countries have the welfare mess, the welfare mix is different, and so in

qualified from each country has a lesson to learn from the other.

In our mix there is the National Health Service, wasteful, hypocritical, oppressive, and destructive of the whole system of medicine that has grown up with civilization since Hippocrates. It is perhaps a bigger ball and chain than any other that the British people have fastened upon themselves. Its true character is not yet apparent to a sufficient number of British people, but it will be as its bankruptcy becomes more and more evident. Though with Medicare and Medicaid you have begun to slide down our road, you do not yet have a comprehensive national health service. Perhaps Senator Kennedy and others will repair that omission for you. If they do, I venture to suggest that the waste, oppression, and undermining of professional standards in this country will be monumental, and will lead to the bankruptcy of the system faster than it has in Britain. For when the National Health Service was instituted, the inherited qualities of the British people were more conducive to success for the service, if success were possible, than those of any other nation. But success was impossible. And failure in this, as in other socialistic quests for the rainbow's end, has gone far to erode the very national qualities needed for success in anything.

In your mix there are other forms of the welfare mess which are worse than ours. Of course you can afford more waste than other nations, and if you undermine the spirit of self-help, your destruction may take longer than that of other people. But the ultimate results will be the same. If you include public education in the welfare system, as you should for it is an essential part of it, then in my judgment the mess is far worse in America than in Britain; though unfortunately we are now fast slipping down your road in public education. Public education is essentially a system in which the American people as taxpayers spend a dollar to get a dime's worth of education, or worse, perhaps a dollar to get a dollar's worth of miseducation. This is difficult for Americans to grasp because early in American history the people correctly decided that education was a good thing and therefore worth buying. Unfortunately this has led them to fantastic error as taxpayers. When education was bought privately, then by and large a dollar spent got a dollar's worth of true education. When it was bought publicly but under the typical control of very small local authorities which were close to the taxpayers, then also a dollar spent probably reaped a dollar's true worth. But not now, with the immense public system ranging from the first grade to the Behemoth University, against which Russell Kirk directs his well-aimed bolts and arrows. Such a huge system serves not education, but the private interests of the educationists. Thus here we are again at the phenomenon of nationalization, which serves private, not public, interests. The same applies in the relief of poverty, which serves the interests of the poverty-fighting administrators more than those of the poor. To return to education, I suggest with the utmost confidence that if all public education were

abolished and all education were bought voluntarily and privately, the American people would be a much better educated people and they would spend less for a superior education than they now spend for an inferior one.

Fourthly, intervention by the government or governmental authorities in the affairs of industry. In America this intervention is mainly through the agency of regulatory bodies, such as the ICC, the CAB, the FCC, the FTC, the FPC, the FMC, the FDA, the CPSC, the EPA, the OSHA, etc. Through these agencies you have done great harm, and are doing growing harm, to American industry and thus to American prosperity. Most of what these agencies do is also done in Britain, but not in the same way and usually in a more flexible and less heavy-handed way. Yet governmental intervention in Britain is disastrous to the nth degree, and it presents many lessons to you and others on what should not be done. Our interventions are a marvelous example of the blind, the lame, and the halt, in the shape of the government, insisting on leading the sighted, the swift, and the hale, in the form of successful private industry. It is now a canon of policy for the British government to interfere with this, that and the other; to support lame ducks; to infuse the taxpayers' money into unsuccessful businesses so that the successful businesses must support them and thus become less successful themselves. Of course you have always done this very thing by means of the tariff on imports, but owing to the enormous free trade area within the United States the effect has been far less destructive than what is now happening in Britain. But wait and see what Mr. Carter may do in pursuit of the mirage of "full employment." If the pursuit is really determined, and the Humphrey-Hawkins Bill is an ominous portent of it, it will produce the same economic debility that is now familiar in Britain.

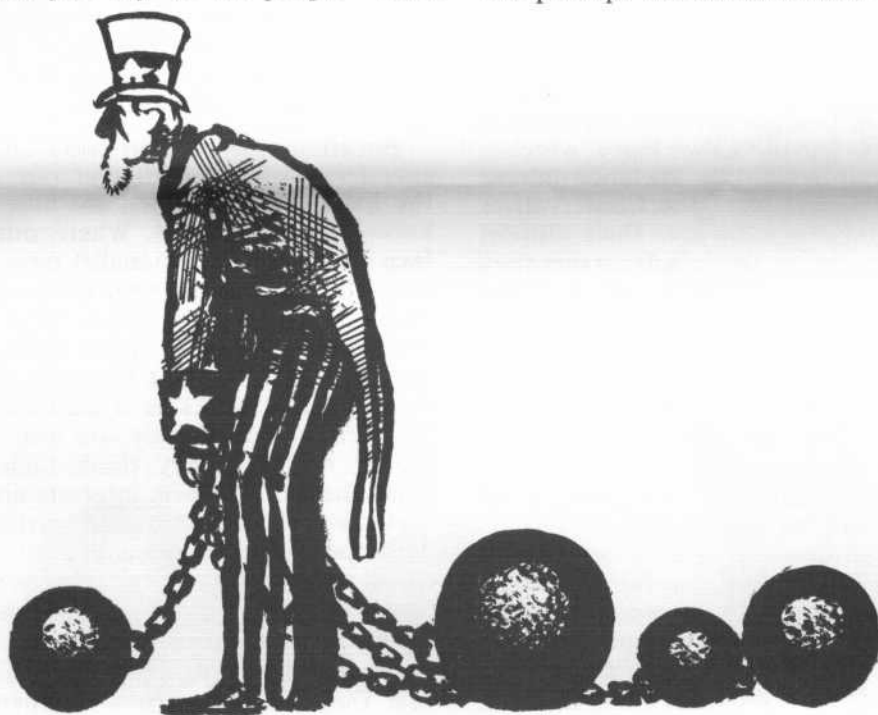
The most prominent and most devastating form of the non-regulatory type of intervention goes under the name of incomes policy, that is, wage and price controls. You are familiar with these, but fortunately you abandoned the most serious attempt to impose them. We have been less wise and less fortunate. The British used to declare with pride that they were of the bulldog breed. When they got their teeth into something, they never let go. Or, if they had to admit that they could muddle, they claimed that they always muddled through. They often lost the first battles in war, but they always won the last. If at first they did not succeed, they tried, tried, and tried again. However, if you seek to make pigs fly, you will have to try, try, and try again for evermore. So too with wage and price controls. They always fail because they must fail. Before any incomes policy succeeds, the oceans will freeze, the moon will turn to green cheese, and two and two will make five. Wage and price controls are the most insidious and destructive form of governmental intervention there is, and it is this that Britain has foolishly tried, tried, and tried again to make effective. When President Nixon instituted wage and price controls on

August 15, 1971, he began to do more harm to the American people than he or his lieutenants did in 1972 with that third-rate burglary that we have heard so much about. Fortunately the controls were unwound. But if one looks at the economic outlook of those now in the ascendant in Congress, and perhaps soon to be in the White House, one must reckon with the possibility that the controls will come again. After spending billions of dollars "to put the American people back to work," as Jimmy Carter and Walter Mondale have urged you to let them do, they may attempt to hide the untoward effects as British governments have done. First you step on the expenditure accelerator to get full employment, and then you say to the people "don't

for the good citizen than to expose the true character of "social justice" and of those who ride to fame or power under its banner.

All these influences together lead to the governmental clipping of the currency, namely that very inflation which governments pretend to dislike and now and again offer to control. The destructive effects of this inflation are the most frightening features of the British scene. In so far as the same causes of inflation operate in the United States, the lesson from the British experience should be a pressing and penetrating one.

Now there are features of the British scene which are perhaps not so obvious as the influences which I



Sorry, the result will not be inflationary," because with your left foot you are going to step on the brake, and the brake is the wage and price controller. But it turns out that the left foot not only fails to halt the acceleration; it also damages the mechanism of the car. If your new rulers are in a mood to spend and spend and spend, tax and tax and tax, elect and elect and elect, à la Harry Hopkins, you had better get your storm windows up soon.

Fifthly, excessive taxation. There is no need to elaborate on this. It is an almost universal phenomenon in the Western world. It is the expression both of the excessive intrusion of the state into the citizen's affairs, which is eating at the vitals of the free society, and of the redistribution of wealth and income demanded by the worship of the fetish of "social justice"; which, so far from being justice of any kind, is only the self-serving cry of the mentors of political majorities with the power to rob political minorities. This latter element in excessive taxation is especially prominent in Britain and has very much to do with our debility. It is strong and rampant in America also, and there can be few greater duties

have described, and it is to these that I now turn. The first is this. What is happening to Britain is happening to a country of former outstanding achievement. It is not pleasant for an Englishman to talk about what is going on in his country. It is not pleasant to awake every morning and read the newspapers to see what new idiocy the government has perpetrated or permitted, what new failure it has displayed, what cranky nonsense some churchman or other prominent public figure has expressed, what Alice-in-Wonderland economics some labor union leader has enunciated while bringing his fist down on the table, what new item from *Animal Farm* or *1984* comes true to life, and so on; even though all this is partly offset by the still remaining admirable features of British society, the still breathing culture, the still unsubmerged civility, decency, respect for law, and standards of personal behavior among politicians and civil servants, though unfortunately these are not what they were. The point to be borne in mind is that if this is the account of the decay of a nation, it is the decay of an A-1 nation. This is not a dropout who is flunking his examinations as expected. This is the one who used to be top of the

class. This is the nation which once displayed the highest level of political and economic understanding. This is the nation from which the pioneer economists and many of the greatest political philosophers once sprang. This is the nation which once developed the most mature treatment of political problems with the highest degree of common sense and tolerance. This is the nation which bequeathed to you the ideas which inspired the marvelous Constitution which has blessed you for nearly 200 years and which still survives even the wrecking activities of some of the Supreme Courts of the past 40 years. If socialism can destroy this A-1 nation, it can destroy any A-1 nation. This is an ominous truth that Americans, who rightly regard their nation as par excellence of A-1 character, should read, mark, learn and inwardly digest.

Secondly, a special reason for the decay of political standards and skill in Britain has been the supplanting of the old Liberal Party by the Labor Party, which is the party organized and financed by the labor unions. When the two great parties were the Conservatives and the Liberals, the labor unions gave their support to one or the other according to the advantages they offered. This was bad, sometimes very bad, as in the case of 1906 when the Liberal government gave the unions a unique and unprecedented exemption from the normal laws of contract and tort. Pressure from sectional interests is always bad. But it did not then tie half of the political power indissolubly to the most menacing sectional interest in the nation. So too in the days of Sam Gompers and for many years after, American unions threw their weight in favor of Republicans or Democrats according to what they could extract from them, but carefully avoided attaching themselves to one party, except for a time in Wisconsin. But now the AFL-CIO boasts of the grip which it has on the Democratic Party. To the extent that it converts the Democratic Party into the counterpart of the British Labor Party, it will grip the American people into the same vise that the British people are now in. To have one of the two great parties a plaything or a financial client of the union power structure, the interests of which are in sharp conflict with those of the whole society, is a prescription for political disaster. If the AFL-CIO merely claimed that in the particular circumstances of 1976 it supported the Democratic party for what might prove to be passing reasons, that would be one thing. But if it so closely attached itself to that party as to become its permanent paymaster and manipulator, that would be a very different thing. It would repeat a major disastrous element in the British experience, which thus presents a lesson of the first importance to Americans. Even those who would reject my view of the character of labor unions, and would view them with a more benevolent eye, should in my judgment be fearful of this particular development.

Thirdly, the behavior of conservatives when a society is on a downward run. If, when they take office in socialist interludes, conservatives seek no more than to hold the position left to them against

further decline, then the downward run will continue. Since the last war the British Conservatives have been in office for nearly seventeen years as against about fourteen and one half for the Labor party. Yet essentially we have been ruled by the ideas and policies of the Labor party for almost the whole thirty-one and one half years. It is not just a case of me-tooism, which is familiar amongst "liberal" Republicans in America. It is much more a case of lack of courage to undo the work of their enemies which they know to be wrong. They believe themselves to be better managers than their enemies, and therefore able to make a tolerable result even of their enemies' own system. Of course what Britain needs, and what America will need, is a party that will roll back the work of socialism, not make the best of the bad job it produces. But that will require courage and resolution of a kind that few conservatives have shown in our time.

Fourthly, the need to know and understand one's enemies. We cannot defend our civilization against the baleful forces which are now rotting it without knowing our enemies. Where our enemy bears the face of the great imperialist power of Russia, this is not difficult, though even there many love to delude themselves with vain hopes of peaceful and reliable accommodation. But in the field of ideas it is much harder. It is ideas, not interests, that rule the world. Even when it looks as if men are moved principally by their interests, they are not. For then they are moved by what they think their interests are, and what they think their interests are is determined by their ideas. Now in the civilized world which developed in the 18th and 19th centuries, and conspicuously in Britain, one treated one's ideological opponents as worthy men. One shied away from the argumentum ad hominem because it debased debate. One wrangled with one's opponents on the footing that they had as much attachment to truth as one-self; that they were mistaken but not dishonest. In many cases this is now a dangerous illusion. We cannot close our eyes to the fact that many modern ideologues wish to subvert the only political and economic system in which the competitive search for truth, and tolerance for differing views on truth, are possible. In these cases it is a delusion to believe that there can be a bridge of tolerance between them and us, except in the sense that freedom of speech belongs to them as much as to us. When they advocate the destruction of our society, we are not obliged to assume that they are merely mistaken. We are entitled to examine their motives, and to expose their ugly nature as much as the mere error of their ideas.

Nor, in an age when every journalist or television "personality" obliges us with his views on economics, and when the faculties of the grossly expanded universities are flooded with "economists" and "sociologists" whose competence is little better than that of the journalists or television "personalities," are we obliged to extend to every self-appointed or university-appointed pundit the courtesies of civilized debate. Thus when Professor John Kenneth Galbraith

makes his name and fortune by means of a sustained sneer at those whom he envisages as "establishment economists," we ought not to be backward in laying bare the true character of his work. We have heard Professor B. A. Rogge describe Galbraith as arrogant and wrongheaded. True, but there is more to it than that. In the groves of academe one sometimes comes across men who are arrogant and wrong headed but yet, in an eccentric way, are respectable scholars. In all Galbraith's popular works there is hardly an idea of note which is not an affront to scholarship. The run-of-the-mill bad economist seeks truth but, being a bad economist, fails to find it. Galbraith is a bad economist of a different stamp. The quest for truth is not outside his purview, but it is not his primary concern, which is to have an effect.* As Professor Scott Gordon has pointed out, he will sometimes leave a clever or well-turned sentence to stand when retooling it would serve his argument better.**

Here there is an important lesson to be learned from the British experience. It is ideas that have undermined the splendid British society of yesteryear. And who propagated these ideas? Of scholars of integrity like Tawney, who were only the propagators of honest error, very few. Beatrice Webb was not above cooking the evidence for her intellectual positions, as late in life she confessed; and both she and Sidney were aware of the Stalinist horrors when they wrote their paean of praise to the "new civilization" of Soviet communism. Bernard Shaw was unrestrained in his admiration for those who ruled with jackboot and whip, but he could not forebear to complain publicly about the heavy personal taxation which he, as a very rich man, had to bear in wartime Britain, that very Britain of mildness, decency, and consideration for others which he despised. Harold Laski could not restrain his pen from his habitual and silly little lies when corresponding with Justice Holmes. When dealing with political questions Bertrand Russell was as fickle in his attachment to truth as to his wives. Kingsley Martin thought that his nose might be taken to be Jewish, and so prepared for a cosmetic operation when it seemed possible that the Nazis would invade Britain. The socialist intellectual movement in Britain abounded in contemptible men, and we suffer now because they were not perceived as such.

There is a lesson here especially for the American businessman. There is a remarkable dichotomy in his attitude to ideas. On the one hand he is suspicious

of ideas. He deals in facts, he believes. This is a survival from the old tradition that writers and talkers were inferior to doers, that college professors should keep out of practical affairs, and that a man had to meet a payroll before he knew what made the world go round. On this side of his mind the businessman must learn the truth expressed in Goethe's Faust, namely that "the most important thing to understand is that facts are themselves theories." If the businessman does not learn to understand the importance of ideas, he will find himself the slave of the ideas of his enemies. But on the other hand he is fatally ready to accommodate himself to his enemies' ideas, and even to finance their propagation, if they are presented with an attractive varnish of appeal to good citizenship. Thus see how he goes half way to accept his enemies' position when he defends business profit. And see how readily he swallows the fraudulent concept of the "social responsibility of business," which is one of his enemies' best weapons for breaking down his defenses. See also how he will make munificent gifts to universities and foundations whose faculties or staffs are busily engaged in undermining the free enterprise system. The American businessman needs to acquire an understanding respect for ideas, and he needs to learn how to distinguish between those ideas which will sustain him and those which will betray him. There are dangers in urging him to support the former with his money, but at least we whose trade is ideas should move heaven and earth to dissuade him from supporting the latter.

My account of the British condition has been a sad one. But the condition is not irremediable. It is much too early to say that the British are no longer a great people. There is much evidence that at the deepest levels of intellectual discourse in Britain healthy ideas are in the ascendant. There is therefore good reason for hope of a national regeneration. Then perhaps as we go up again, we shall meet you coming down, but I hope not. Rather I hope that you too will resume your once unhampered upward progress. Then I shall be content if we catch up with you.

*See the self-revealing article by John Kenneth Galbraith in *Fortune*, December 1962.

**See Scott Gordon: "The Close of the Galbraithian System," p. 636, the *Journal of Political Economy*, Vol. 76, July-August 1968.